INTRODUCTORY STATEMENT

PRESS CONFERENCE

Christine Lagarde, President of the ECB,Luis de Guindos, Vice-President of the ECB,Frankfurt am Main, 4 June 2020

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Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our press conference. We will now report on the outcome of today’s meeting of the Governing Council, which was also attended by the Commission Executive Vice-President, Mr Dombrovskis.

Incoming information confirms that the euro area economy is experiencing an unprecedented contraction. There has been an abrupt drop in economic activity as a result of the coronavirus (COVID-19) pandemic and the measures to contain it. Severe job and income losses and exceptionally elevated uncertainty about the economic outlook have led to a significant fall in consumer spending and investment. While survey data and real-time indicators for economic activity have shown some signs of a bottoming-out alongside the gradual easing of the containment measures, the improvement has so far been tepid compared with the speed at which the indicators plummeted in the preceding two months. The June Eurosystem staff macroeconomic projections see growth declining at an unprecedented pace in the second quarter of this year, before rebounding again in the second half, crucially helped by the sizeable support from fiscal and monetary policy. Nonetheless, the projections entail a substantial downward revision to both the level of economic activity and the inflation outlook over the whole projection horizon, though the baseline is surrounded by an exceptional degree of uncertainty. While headline inflation is suppressed by lower energy prices, price pressures are expected to remain subdued on account of the sharp decline in real GDP and the associated significant increase in economic slack.

In line with its mandate, the Governing Council is determined to ensure the necessary degree of monetary accommodation and a smooth transmission of monetary policy across sectors and countries. Accordingly, we decided on a set of monetary policy measures to support the economy during its gradual reopening and to safeguard medium-term price stability.

First, the Governing Council decided to increase the envelope for the pandemic emergency purchase programme (PEPP) by €600 billion to a total of €1,350 billion. In response to the pandemic-related downward revision to inflation over the projection horizon, the PEPP expansion will further ease the general monetary policy stance, supporting funding conditions in the real economy, especially for businesses and households. The purchases will continue to be conducted in a flexible manner over time, across asset classes and among jurisdictions. This allows us to effectively stave off risks to the smooth transmission of monetary policy.

Second, we decided to extend the horizon for net purchases under the PEPP to at least the end of June 2021. In any case, we will conduct net asset purchases under the PEPP until the Governing Council judges that the coronavirus crisis phase is over.

Third, the Governing Council decided to reinvest the maturing principal payments from securities purchased under the PEPP until at least the end of 2022. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

Fourth, net purchases under our asset purchase programme (APP) will continue at a monthly pace of €20 billion, together with the purchases under the additional €120 billion temporary envelope until the end of the year. We continue to expect monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of our policy rates, and to end shortly before we start raising the key ECB interest rates.

Fifth, we intend to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Sixth, we decided to keep the key ECB interest rates unchanged. We expect them to remain at their present or lower levels until we have seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within our projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

Together with the substantial monetary policy stimulus already in place, today’s decisions will support liquidity and funding conditions in the economy, help to sustain the flow of credit to households and firms, and contribute to maintaining favourable financing conditions for all sectors and jurisdictions, in order to underpin the recovery of the economy from the coronavirus fallout. At the same time, in the current rapidly evolving economic environment, the Governing Council remains fully committed to doing everything necessary within its mandate to support all citizens of the euro area through this extremely challenging time. This applies first and foremost to our role in ensuring that our monetary policy is transmitted to all parts of the economy and to all jurisdictions in the pursuit of our price stability mandate. The Governing Council, therefore, continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. The latest economic indicators and survey results confirm a sharp contraction of the euro area economy and rapidly deteriorating labour market conditions. The coronavirus pandemic and the necessary containment measures have severely affected both the manufacturing and services sectors, taking a toll on the productive capacity of the euro area economy and on domestic demand. In the first quarter of 2020, when containment measures were only in place from mid-March in most countries, euro area real GDP decreased by 3.8%, quarter on quarter. Information from surveys, high-frequency indicators and incoming hard data all point to a further significant contraction of real GDP in the second quarter. Most recent indicators suggest some bottoming-out of the downturn in May as parts of the economy gradually reopen. Accordingly, euro area activity is expected to rebound in the third quarter as the containment measures are eased further, supported by favourable financing conditions, an expansionary fiscal stance and a resumption in global activity, although the overall speed and scale of the rebound remains highly uncertain.

This assessment is also broadly reflected in the June 2020 Eurosystem staff macroeconomic projections for the euro area. In the baseline scenario of the projections, annual real GDP is expected to fall by 8.7% in 2020 and to rebound by 5.2% in 2021 and by 3.3% in 2022. Compared with the March 2020 ECB staff macroeconomic projections, the outlook for real GDP growth has been revised substantially downwards by 9.5 percentage points in 2020 and revised upwards by 3.9 percentage points in 2021 and 1.9 percentage points in 2022.

Given the exceptional uncertainty currently surrounding the outlook, the projections also include two alternative scenarios, which we will publish on our website following this press conference. In general, the extent of the contraction and the recovery will depend crucially on the duration and the effectiveness of the containment measures, the success of policies to mitigate the adverse impact on incomes and employment, and the extent to which supply capacity and domestic demand are permanently affected. Overall, the Governing Council sees the balance of risks around the baseline projection to the downside.

According to Eurostat's flash estimate, euro area annual HICP inflation decreased to 0.1% in May, down from 0.3% in April, mainly on account of lower energy price inflation. On the basis of current and futures prices for oil, headline inflation is likely to decline somewhat further over the coming months and to remain subdued until the end of the year. Over the medium term, weaker demand will put downward pressure on inflation, which will be only partially offset by upward pressures related to supply constraints. Market-based indicators of longer-term inflation expectations have remained at depressed levels. While survey-based indicators of inflation expectations have declined over the short and medium term, longer-term expectations have been less affected.

This assessment is also reflected in the June 2020 Eurosystem staff macroeconomic projections for the euro area, which foresee annual HICP inflation in the baseline scenario at 0.3% in 2020, 0.8% in 2021 and 1.3% in 2022. Compared with the March 2020 ECB staff macroeconomic projections, the outlook for HICP inflation has been revised downwards by 0.8 percentage points in 2020, 0.6 percentage points in 2021 and 0.3 percentage points in 2022.

Turning to the **monetary analysis**, broad money (M3) growth increased to 8.3% in April 2020, from 7.5% in March. Strong money growth reflects bank credit creation, which is driven to a large extent by the acute liquidity needs in the economy. Moreover, high economic uncertainty is triggering a shift towards money holdings for precautionary reasons. In this environment, the narrow monetary aggregate M1, encompassing the most liquid forms of money, continues to be the main contributor to broad money growth.

Developments in loans to the private sector continued to be shaped by the impact of the coronavirus on economic activity. The annual growth rate of loans to non-financial corporations rose further to 6.6% in April 2020, up from 5.5% in March, reflecting firms' need to finance their ongoing expenditures and working capital in the context of rapidly declining revenues. At the same time, the annual growth rate of loans to households decreased to 3.0% in April, from 3.4% in March, amid consumption constraints due to the containment measures, declining confidence and a deteriorating labour market.

Our policy measures, in particular the very favourable terms for our targeted longer-term refinancing operations (TLTRO III), should encourage banks to extend loans to all private sector entities. Together with the measures adopted by national governments and European institutions, they support ongoing access to financing, including for those most affected by the ramifications of the coronavirus pandemic.

To sum up, a **cross-check** of the outcome of the economic analysis with the signals coming from the monetary analysis confirmed that an ample degree of monetary accommodation is necessary for the robust convergence of inflation to levels that are below, but close to, 2% over the medium term.

Regarding **fiscal policies**, an ambitious and coordinated fiscal stance remains critical, in view of the sharp contraction in the euro area economy. Measures taken should as much as possible be targeted and temporary in nature in response to the pandemic emergency. The three safety nets endorsed by the European Council for workers, businesses and sovereigns, amounting to a package worth €540 billion, provide important funding support in this context. At the same time, the Governing Council urges further strong and timely efforts to prepare and support the recovery. We therefore strongly welcome the European Commission’s proposal for a recovery plan dedicated to supporting the regions and sectors most severely hit by the pandemic, to strengthening the Single Market and to building a lasting and prosperous recovery.

We are now ready to take your questions.

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The first question is about the composition of PEPP. I'm wondering if you've discussed including junk bonds into PEPP, and if not, why not given that your own stability report highlights the risk of downgrades to stability.

The second question is about the German constitutional court’s ruling, and I wonder if you've discussed this at all. You've of course said that you fall under the jurisdiction of the ECJ, but Ms Schnabel said that the ECB can be constructive in this process. So what precisely does constructive mean in this context? What are you prepared to do? Are you prepared to take a fresh Governing Council decision as the constitutional court is asking you to do?

Lagarde: On your first question, which has to do with whether or not we include junk bonds, as you call them, in our purchase policies. We have defined parameters for our purchases. We want to insulate the way we conduct policy from the effect of the pandemic and avoid self-fulfilling pro-cyclicality. We will continue to observe the situation and take appropriate and proportionate action. Aside from that, the Governing Council has not discussed this matter.

On your second point, which has to do with the Karlsruhe Court decision, I just want to remind you that the ECB is subject to the jurisdiction of the Court of Justice of the European Union. The PSPP has been judged by the Court of Justice of the European Union as in line with our policy mandate. We have indeed taken note of the judgement, which is directed at the German government and at the German parliament, and we are confident that a good solution will be found. A good solution that will not compromise the ECB's independence, will not compromise the primacy of the European Union law or the ruling of the European Court of Justice. You follow what we do. The ECB Governing Council regularly assesses the effectiveness, the efficiency and the cost-benefit of its monetary policy measures. It does so on a regular basis and as you can imagine, given the package that we have debated and eventually discussed and agreed upon, this has been the case in great depth during the course of our morning session. It is typically reflected in our accounts and it will indeed be reflected in our accounts as well.

Some of the reports before the meeting suggested that not all of the members of the Governing Council were ready to support an increase in PEPP today. Can you give us a sense of how wide was the support for the measures you adopted?

My second question is about your strategy for reinvestment under PEPP that you announced today. You say they will continue at least until the end of 2020. Essentially, if everything goes according to the plan, the roll-off of those purchases could start at the beginning of 2023. Meanwhile the guidance for PSPP programmes says reinvestments will continue past the date of the first rate hike increase. There is a discrepancy between these two programmes when it comes to the guidance for reinvestment. Does that imply that the roll-off of PEPP could actually start before the first rate hike?

Lagarde: Well, your question helps me, reframing a little bit for you, the cost-benefit – and I was tempted to say the benefit-cost because there are a lot more benefits than costs – of our PEPP. First of all, I would observe that the PEPP has already demonstrated that it is a very successful programme.

When we used it, actually very shortly after we announced it on the 18th March, it has prevented the downward spirals in financial markets and reduced any tail risks at the time without which we would have been in a seriously different situation in terms of both growth and inflation outlook. There are two main factors that have led us to reconsider PEPP and certainly expand the size of PEPP as well as its duration. The first factor is that the outlook for price stability has been significantly affected by the fallout from the COVID-19 crisis. As I mentioned earlier on, we had to revise our inflation outlook and if you look at the medium-term horizon of our projections, which is 2022, we are now talking about 1.3 as opposed to 1.6, which was the horizon that we had back in March prior to the COVID-19.

The second factor that has also led us to reconsider PEPP and to increase its size and extend its timing, is that financial conditions for the euro area as a whole are significantly tighter today, as measured by average sovereign yields and broader metrics of financial tightness, in a situation where the economy needs easier conditions to achieve price stability. In that context, we judged that it was necessary to increase the size. I can assure you that there was a unanimous view in the Governing Council that action had to be taken. In the face of that inflation outlook, and given our mandate of price stability, action had to be taken. So, we decided to increase the size of PEPP in order to 1) ease aggregate financial conditions 2) safeguard the transmission of our monetary policy to all asset classes and jurisdictions thanks to one particular aspect of PEPP, which is its flexibility in conducting our purchases and 3) help us back to what I would call the pre-COVID inflation path.

That justified fully the expansion of PEPP by the amount that I have mentioned, which is €600 billion. Why did we extend the horizon to June of 2021? It's because we have a sense that by then, inflation hopefully will start kicking in again and we will have a better visibility of the situation at that point in time. It's also coherent with a lot of our other monetary policy tools, those that we have either determined in March, or fine-tuned and improved at our last April monetary policy Governing Council meeting. In terms of reinvestments that we have agreed to push at least until the end of 2022, we have determined that because it helps ensure that financial conditions remain sufficiently supportive over a possibly very protracted recovery phase. It also reflects the nature of PEPP, which is different from the

PSPP. If only for these two reasons we believe that giving a bit more visibility and certainty over that horizon was certainly a good decision to make.

My first question is the size of the PEPP programme: why have you agreed on raising it by €600 billion and not more, because if you keep the current pace, that would mean that it is used up by February 2021. So my question here: what made you decide on that ticket size?

Then also on the interest rate, because you are keeping the interest rates downward bias, can you perhaps reconfirm that you think it's not the end where we are currently, that the lower bound has been reached? What would you make – what would have to happen to cut interest rates even further?

Lagarde: First of all, on the choice of €600 billion, obviously there was a debate within the Governing Council as to what would be the appropriate size. We collectively determined, and there was broad consensus around that proposal, that the €600 billion should over time bring us significantly closer to what I have called the pre-COVID inflation path, while allowing us to monitor how some key developments unfold in the coming months, that will indeed impact our policy. So, we will understand a little better how the economy rebounds in the third quarter and then later on in the course of the coming months, to have a bit more clarity because of course we have better data, better numbers and we can come up with some more reliable scenarios and even a projection. But it is still surrounded by a lot of uncertainty. We believe that that will bring us, as I said, significantly closer to that path of the pre-COVID inflation.

Second, I just want to remind you that we have decided to use PEPP but it's not as if it was PEPP and nothing else. We have a whole package of tools that we are using to a great extent addressing all sectors of the economy, all axes of our action. I'll just remind you that for instance, we start with a very low interest rate, which is associated with forward guidance, which as you will have noticed has not changed, as indicated in the introductory statement. We are also using and we will be seeing very interesting developments in June, the TLTRO – Targeted Longer-Term Refinancing Operations – which are really offered to the banking sector at extremely attractive terms. Again to remind you: if banks keep their exposure to the economy and keep lending particularly to the corporates but also to the SMEs and to all the family of borrowers around, in that case they can obtain an interest rate which is -1%. That's also a major tool to make sure that the economy really is flooded with the credit capacity that banks can intermediate.

I also would like to remind you that we have a liquidity facility, which is the LTRO, which has operated as a bridge, which will now be supplemented by a PELTRO, which is pandemic-specific and which will also operate as a liquidity facility that is available for those of the banks that do not want to necessarily use the TLTRO. So we have plenty of tools and of course we have the whole category of asset purchase programmes, the PEPP being one of them, and very specific to the pandemic circumstances, and as a result being temporary, being targeted, being proportionate in response to the pandemic crisis. Final point, because it's also an important one associated with TLTROs, is the enlargement of collaterals that we have decided, and which is certainly helping banks to come up with more papers in order to obtain refinancing.

In terms of PEPP as the best possible instrument at the moment, one item in the package of tools that we use and the size of which we believe as a Governing Council in broad agreement is perfectly appropriate and adequate in order to respond to the needs, I think has determined us to act in that direction.

I think you had an additional question on DFR [deposit facility rate]. Clearly, we also as a Governing Council decided that under current circumstances, clearly the PEPP was the best instrument to use both in terms of monetary stance but also in terms of monetary policy transmission.

First question I'd like to ask is just a follow-up on the reaction to the *Bundesverfassungsgericht*, the German constitutional court. Was that discussed by the Governing Council and did you make a decision on how to respond to Germany's highest court?

Secondly, could you talk about your fears of deflation and why deflation could be such a negative condition for the Eurozone economy to enter?

Lagarde: In relation to the Karlsruhe constitutional court decision, the ECB as you know is subject to the jurisdiction of the European Court of Justice, the Court of Justice of the European Union. Our PSPP, which was the subject of the Karlsruhe constitutional court ruling, has been judged by the Court of Justice of the European Union. It has been judged as in line with our policy mandate. So we have, all of us, taken note of the judgement passed by the Karlsruhe constitutional court, which is directed at two parties; the German government and the German parliament. We are confident that a good solution will be found which, as I said already, will in no way compromise the independence of the ECB, the primacy of European Union law and the decision by the European Court of Justice. What we have done at the Governing Council meeting, and what we do regularly whenever important decisions are made in terms of monetary policy, is to debate and to assess the effectiveness, the efficiency and the cost-benefit of one measure or the other, and the package of measures together. We have done that indeed this morning, as we regularly do, and that is and will be reflected in the accounts and indeed in the minutes of the meeting that we had.

Your second question had to do with deflation. Now, we are focused on the mandate that we have to deliver on. Our mandate is price stability, as defined since 2003, as you know, by reference to inflation close to but below 2%. Our inflation outlook is a very important determinant of the decisions that we make. We have a single mandate, we have a yardstick that measures it and until such time when we resume and complete our strategy review, this will remain so. Hence when we see an inflation outlook at the end of our projection period, in 2022 at 1.3%, we make the determination that measures are needed, action is necessary. We do so by using the entire package and selecting in the toolbox that we have the instrument that will be most flexible and most potent in order to help us return to the pre-COVID inflation path that we had known back in March. That's what we do.

The first question is on PEPP: President Lagarde, you said in the last press conference that the ECB would've given us really good and solid information on the purchases, with granularity and we had them. We could see, with a bit of a surprise, that the German Government bond purchases were slightly higher than the capital key benchmark. German govies have safe haven status and enjoy very low sub-zero yields. So can you explain why the ECB sudden need to stick to the German capital key in the PEPP, and the reasoning behind it?

My second question is on European bank segmentation: as you said also today, how important it is for banks to lend and to keep the flow of credit open and there are many instruments, you remember TLTRO and bridge LTRO. But for the banks it's not also the same to deliver on this and state guarantees differ, sovereign credit risks differ. Some banks are going to have more problems than others to deliver on lending. What can the ECB do? Could you buy senior bank bonds, for example? If not, could you lend directly to SMEs?

Lagarde: Let me just remind you what I would call the dual key of PEPP is: on the one hand, it has a monetary policy stance about it but on the other hand – as you know because that was the one that certainly predominated in the early phase of the crisis – it is critically important because of its flexibility in order to transmit monetary policy, in order to reduce market stress in order to avoid fragmentation. But it clearly has those two missions, so the PEPP as I said also earlier on is temporary, is targeted and it's really intended to deal with the pandemic shock. It's in response to that shock that it was put together and in order to make full use of that instrument, we have to be mindful of the two functions.

In response to the pandemic shock and the resulting downward pressure on inflation and the medium-term inflation outlook for the whole euro area, that's the response. Financial conditions for the whole euro area are significantly tighter. It's not country specific so we are now talking about the monetary policy stance. All of that is happening in a situation where the recovery is going to need easier conditions to achieve price stability. PEPP purchases in all euro area jurisdictions are needed to further ease the general monetary policy stance, supporting funding conditions in the real economy, especially for all businesses and households. For the monetary policy stance, we need to use it across all jurisdictions, no question about that.

Now, when it comes to banks, as I reminded you, the TLTRO III in its latest iteration, which was decided in April, will begin in June. We are very confident that given the attractiveness of the TLTROs and the rate that will be available to banks that at least maintain their exposure relative to the benchmark that has been decided, they will benefit from an interest rate which is -1%. Now, that should certainly help with reviving the economy, with maintaining the credit flow to both corporates and households, and within corporates to SMEs. That transmission of monetary policy mechanism has to work and has to continue to be efficient in that respect. We are confident that combining all the tools that we have in our toolbox, leveraging PEPP as we do under the decision that we have made today, we will actually serve both aims that we are pursuing, which is to make sure that credit flows through the economy and that we return to the inflation path that we had pre-crisis so that we can deliver on our price stability mandate.

I am interested whether the Governing Council in the current situation actually sees a threat of deflationary pressures, or in the very near future.

The second question referring to the ruling of the German constitutional court; irrespective of whatever will be the outcome of the situation now, do you feel that by the mere fact that a member state's highest court is not subordinating to the ruling of the European highest court, in itself is damaging the independence and the reputation of the ECB?

Lagarde: In relation to the risk of disinflation, this is clearly a matter that we have discussed. This is, as I said earlier, an issue that is very central to our macroeconomic radar screen, if you will, because this is the yardstick against which we measure price stability. When we see an inflation outlook which is at the end of our projection period, at the end of 2022, at 1.3%, we are certainly not close to the 2% and below 2% objective that has been set. Clearly, that is the reason why we decide to use in the current circumstances the most efficient, the most effective and the most flexible of the instruments that we have at the moment. It is clearly with the purpose of getting back to the pre-COVID inflation path that we use this tool as well as all the other tools of the package.

Concerning the German constitutional court ruling that was issued on May 5th, again: the European Central Bank is subject to the jurisdiction of the European Court of Justice and the European Court of Justice back in December 2018 has judged that the PSPP – which was also the object of the German constitutional court – was in line with our policy mandate. Of course we have taken note of the judgement by the constitutional court of Germany. That judgement is directed at the German government, at the German parliament. We are fully confident that a good solution will be found that will respect the independence of the central bank, that will recognise the primacy of European Union law and that will also respect the European Court of Justice decision.

As you know, one of the matters that was under review was the issue of proportionality and as the Governing Council regularly does, and we did it this morning, we reviewed the effectiveness, the efficiency and we measured the cost-benefit of the measures that we were proposing in our policy recommendation. We did so. We had a very clear and good debate about this matter and this is always reflected in the accounts and in the minutes, and it will be reflected in the accounts.

I just have two questions, if I may – and I'm sorry if it repeats your answer from the last one – but when PEPP was first announced in March, the word inflation didn't appear in the statement. I just wonder whether its inclusion today was in part intended to provide the explicit rationale that the ECB's inflation target is served by such an increase that the German constitutional court has said it requires for PSPP.

Then my second question was: are you hopeful that the full size and flexibility of PEPP won't be needed?

Lagarde: Well, first of all, I want to come back to that because it was clearly in the birth certificate of PEPP and it is clearly alive as we speak and as we use PEPP. It has this dual key. First of all, it has a backstop function, if you will. It's intended and it has demonstrated its capacity to deal with short-term market stress. It has the capacity to address the risk of market fragmentation and it is of course an instrument intended to improve the transmission of monetary policy. That's key number 1. Key number 2 is the stance function. If you look carefully at documents – as I'm sure you do – you will note that there is a reference to the determination to address the outlook related to or resulting from – I can't remember the exact words – from the pandemic situation.

What we mean by addressing the outlook, from a central bank point of view, it's clearly the inflation. The two keys are active, were embedded in the first place as I said, in the birth certificate of the PEPP. It is both about stance and it is about transmission. Clearly in this particular moment, the stance is probably a bit more relevant than the monetary policy transmission. But this arm and this function is critically important. It is certainly one of the key attributes of PEPP, to be able to use these functions with flexibility. So that was your second point.

I just want to come back to this issue of flexibility because we have said very clearly that flexibility came in a three-pronged approach: 1) across time 2) across market segments and 3) across jurisdictions. The flexibility that we've used across time is pretty obvious because we have massively front-loaded our purchases to respond to the volatility, to the lack of liquidity. If you go back to March 26th, which is when PEPP began purchasing – which by the way is a remarkably short period. It was decided on the 18th in the evening and it was first to market on the 26th March. Pretty good! We front-loaded purchases because at the time, if you remember, end of March/beginning of April, there was significant volatility, lack of liquidity in many market segments, and we had to step in very massively. That had an impact; it's measurable and it's strong, so that's the first aspect of flexibility.

The second flexibility was across market segments. If you look carefully at what we did with PEPP, the crisis highlighted an unprecedented need of short-term liquidity by firms as the lockdown measures were beginning to dry income streams. At the time, if you remember, issuance by corporates was virtually nil. Now we have record issuance to date, and what have we done from the total purchases that we've made? We have included a significant amount of corporate bonds. I don't have the exact number with me, but it's north of €30 billion.[1] I could double-check for you if you want, but I am sure you'll be able to do that as well. We did that and we also decided to shift a large share of our purchases to commercial paper. We are seeing evidence of the success of the measures because commercial paper rates have started to stabilise and issuance of longer tenors is rising as well.

That's only two aspects of flexibility. The third aspect of flexibility is across jurisdictions. As you know, the ECB's capital key guides the benchmark for our purchases of public sector securities. We assessed that there was a strong and urgent need to purchase with deviation from the benchmark guidance, as we faced, and still continue to face, risks of fragmentation that threaten the smooth transmission of our monetary policy across the entire euro area. So, we have used, and we will continue to use, the PEPP to counter such risks of fragmentation. I would like to reassure you that the guiding principle of flexibility will be maintained throughout the lifetime of the PEPP.

The Commission will issue a AAA safe haven asset to fund projects; thus upgrading the function and the status of the euro to reserve currency status. This has been a long-stated strategic goal for the common currency; elusive so far. Isn't it a bit counterintuitive that this achievement, the reserve currency privilege, is temporary and will expire with COVID-19 measures?

My follow-up question is on Greece: Greece's debt is projected to reach 195% this year. From the policy transmission point of view, are you concerned that the new weak spot for credit could be developing in the euro area? Is it valid to explore some tightening-up actions sooner than later to shore up the sustainability of Greek debt?

Lagarde: As I understand it, we missed a little bit the beginning of your question, but I think you raised the issue of the international role of the euro as a currency.

By the fact that the European Commission issues debt to fund projects, it is upgrading the euro to reserve currency status is something that Mr Coeuré has spoken of in the past. I'm asking about the counter-intuitiveness of this achievement being temporary.

Lagarde: Well, first of all, as you know we will publish next week our report on the international role of the euro, so it's with a little bit of pride that I would take the view that the euro has an international role. If I look at the number of swap lines or repo lines that have been asked or requests that have been submitted to us, it is clearly a currency that is in demand. The fact that it is one of the currencies in the basket of currencies that are used to determine the value of the Special Drawing Rights is also an indication that it enjoys the status of international currency and is recognised as such. Now, clearly the issuance by regional agencies, whether it is the ESM, the EIB and indeed the Commission as it did previously in the EFSM, is contributing to reinforcing that role. But I think the role of the euro as an international currency will be primarily supported by a deeper and more complete economic and monetary union. We will have – and I hope that we will – go deeper and further in terms of capital markets union, in terms of completion of the banking union. I think we need these two to really reinforce the economic and monetary union.

I have very much hope that as part of the agenda in the coming months, the Commission will be able to push those agenda items and that the European Council under the leadership of Charles Michel will also push these agenda items.

You also asked me a question about the issuance of debt in a particular country. I would probably give you a broader response because it is not specific to Greece. When you look around the world, all countries at the moment are resorting to fiscal tools in order to respond to the extraordinary and terrible consequences of this pandemic which is affecting us all. So using the fiscal tool is generally leading to many countries having to issue more debt. At this point in time, there was no alternative than to actually issue debt. I would observe that the service of debt, which matters as well a lot to determine the debt sustainability, is currently very low.

Final point: the combination of fiscal policy and monetary policy, which clearly at the moment are supplementing each other, are working hand in hand, are aligned with similar objectives. That hopefully will be critically important to restore economic conditions that are better for people's income, better for people's jobs and will be more conducive to a growth that in the European Union under the leadership of Ursula von der Leyen, President of the Commission, has identified as hopefully more green and more digital.

You welcome this €750 billion pandemic recovery fund that's proposed by the EU Commission, so a simple question: do you think the size of this recovery fund will be enough at EU level?

Second question – allow me, please – but you are often seen today reading notes in response to questions of journalists. Is it your own style that you wanted to print in the ECB communication?

Lagarde: Well, first of all on the recovery fund: I would observe two things; one is, it is a proposal and it should not be seen in isolation. It is a proposal that will have to go through the process of the agreement through the Council. It will have to then be ratified by Parliament. But I don't doubt for a second the determination of the European leaders at large to really respond to the challenge of the pandemic, and to respond to the needs of the recovery plans that have to really pan out throughout the whole European Union, and that have to reach by sector and by regions those that have been most affected.

First of all, you don't know what I'm reading. There are certain segments of my communication where I want to be very, very specific. When I describe for you, for instance, the flexibility as we apply it, I want to cover all items of flexibility. Or if I am quoting specific references from a particular decision that has been made, or from a Governing Council statement, I don't want to betray them. So now and again, I hope you don't mind not seeing my eyes too clearly. In any case, you don't miss much, I can assure you. I will occasionally take the liberty to read things, yes. That's my choice.

1. [1]Purchases of commercial paper and corporate bonds under the PEPP until 29 May 2020 amounted to EUR 45.96bn. https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html

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